Guidelines for investment of surplus funds
by State Public Enterprises.

GOVERNMENT OF MAHARASHTRA
Finanace Department,
Government Resolution No.PSU-10.02/CR-5/2002/PSU.
Mantralaya,Mumbai-400 032,

Dated :- 6th August, 2002.

READ:- (1) Government Resolution, Finance Department No.PSU-1195/CR-3/PSU,Dated 6th Oct.1995.

(2) Government Resolution, Finance Department No.PSU-1196/CR-29/PSU,Dated 10th Oct,1996.

RESOLUTION

The State Government had issued detailed guidelines in Government Resolution, Finance Department, No.PSU-1195/CR-3/PSU, Dated 6th Oct. 1995 and No. PSU-1196/CR-29/PSU, Dated 10th October, 1996 in regard to investment of surplus funds by State Public Sector Enterprises (PSEs). A proposal to review these guidelines was under consideration of the Government. The following revised guidelines are being issued in supersession of the earlier guidelines issued in Government Resolutions referred to above dated 6.10.95 and 10.10.96.

Principles governing investments

2.
- (i) There should be no element of speculation on the yield obtaining from the investments.
- (ii) There should be a proper commercial evaluation before any decision about investment of surplus funds is taken. The surplus availability may be worked out for a minimum period of one year at any point of time.
- (iii) Funds should not be invested by the PSEs at a particular rate of interest for a particular period of time while the PSEs.are themselves resorting to borrowing at an equal or higher rate of interest for meeting their own requirements.
- (iv) Investment decisions should be based on sound commercial judgement. The availability should be worked out based on cash flow estimates taking into account working capital requirements, replacement of assets and other foreseable demands.
- (v) Term deposits with the Nationalised banks can be for any period but maximum upto three years. .

Eligible Investments

3. Investments may be made in one or more of the following instruments, subject to the principles outlined in the previous paragraph :-
- i. In deposits /Certificates of Deposits with Nationalised Bank
- ii. Treasury bills and Government of India securities.
- iii. Inter-corporate loans are permissible to be lent only to State PSEs within the borrowing limits approved by the State Government. The counter party exposure limit should not be more than 15% of networth of the borrowing institution or Rs.100.00

Crores whichever is less. The borrowing PSEs should be profit making and should have networth of not less than Rs.50.00 Crores.

iv. Inter-corporate deposits of SICOM Ltd.are permissible provided these are secured by SICOM's standard (Loan) assets or non-financial assets of equal value.

4.

Authority Competitent for decision on short term investments

i) Decisions on investment of surplus funds shall be taken by the Board of Directors of the P.S.E. However, decisions involving investing short-term surplus funds upto one year maturity may be delegated upto prescribed limits of investments, to a designated group of executives which should invariably include the Managing Director and Director (Finance) or Head of Finance. Where such delegation is made, the delegation order should spell out the level of approval and the powers of each official, which should be strictly observed. Where such delegation is exercised, there should be a proper system of automatic internal reporting to the Board at its next meeting in all cases.

ii) PSEs should ensure that all investment decisions are in accordance with the regulations as per the Company Law and Government instructions and any other relevant legislation and rules as applicable. Any investments already made, which is not in confermity with the above guidelines, should not be renewed after maturity.

5. Every PSE should arrange to place the above revised guidelines at its next Board meeting and ensure that these guidelines are scrupulously followed.

6. The Administrative Departments are requested to bring these guidelines to the notice of all the enterprises, including their subsidiaries under their administrative control, the Department should monitor adherence of these guidelines issued by Government.

By order and in the name of the Governor of Maharashtra.

(S. T. Shende)
Under Secretary to the Government of Maharashtra
Finance Department.

To

Secretary to Governor,
Pr. Secretary to Chief Minister,
Pr. Secretary to Dy. Chief Minister,
Personal Assistant to all Minister and Minister of State,
Chief Secretary to Government,
Pr. Secretaries/Secretaries, all Departments of Mantralaya,
Special Commissioner, Maharashtra Sadan, New Delhi,
Chief Executive/Managing Directors of all State Public Enterprises.
All Desks in Finance Department,
Select File, PSU Desk, Finance Department.

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